

**OFFICE OF THE
WASHINGTON STATE LIQUOR CONTROL BOARD
Board Meeting /September 7, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, September 7, 2005 in the Board conference room, 3000 Pacific Avenue S.E., Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing was present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Financial Services Division – Years of Service Recognition

Randy Simmons Director

Mr. Simmons recognized Bernie Pieterman, Auditor for his 30 years of dedicated service to the State.

Retail Services Division – Liquor Store Lease Extension, Store #161, Tacoma

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 161, located at 516 South 38th Street, Tacoma WA, will expire on September 30, 2005.

The Lessor, Robert E. Hogan of Hogan Enterprises, represented by Jim White, has agreed to a six (6) month extension of our current lease, effective October 1, 2005. All other terms and conditions of the current lease shall remain the same.

We currently pay \$5,298.00 per month, or \$11.51 per square foot per year, for a 5,522 square foot space. Gross sales for FY 2005 were \$2,867,859 with Class H Sales at 42.4%.

Board Member Ing moved for approval. Chairman Long seconded the motion, and it was passed.

Retail Services Division – Liquor Store Lease Proposal, Store #190, Lacey

Suzanne Lewis, Store Leasing Manager

Store No. 190 is a proposed new store to be located in the Hawks Prairie Shopping Center. The address of this space is 8205 Martin Way East, Lacey, WA. Financial assets from an “under performing” store will be transferred to this location.

BACKGROUND

There are currently 4 state liquor stores and 1 contract liquor store in the Olympia/Lacey/Tumwater area. All of the state stores are busy, “category 2”

Board Meeting

09/07/05

stores and the Tanglewilde contract store is very profitable. The Lacey area continues to grow at a rapid rate and new commercial development is beginning to catch up with the residential growth. Staff evaluated space in a large new shopping center and a smaller new strip mall. The existing Blockbuster space in Hawks Prairie Shopping Center was the most cost effective space.

Due to the proximity of the Tanglewilde contract store (1 mile west), staff visited with Kathleen Gore, the contract store manager, regarding the proposed new store. Ms. Gore indicated that she felt the location was a good move for the LCB but she would like to keep the licensee accounts now assigned to her store. Plans are to operate the new store as "retail only" for at least 1 year. The Board will have "first right of refusal" on the adjacent space when a decision is made to add licensee accounts.

PROPOSAL – Hawks Prairie Shopping Center

The Lessor, Cal Leenstra, represented by Joni Baker of Prime Locations Inc, has proposed a ten (10) year lease in a 4,800 square foot space. The rental rate will be \$10,728.00 per month, or \$26.82 per square foot per year, during Years 1-3, \$11,688.00 per month, or \$29.22 per square foot per year, during Years 4-6, \$12,488.00 per month, or \$31.22 per square foot per year, during Years 7-9, and \$13,000.00 per month, or \$32.50 per square foot per year, during Year 10.

The Board will have the "right of first refusal" on the adjacent 1,200 square foot space when the decision is made to add licensee accounts at this site.

The Lease may not be terminated during the initial ten (10) years of the lease term, except pursuant to Paragraph 2, if applicable, (privatization) or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default.

The Lease may, at the Board's option, be renewed for two (2) additional five (5) year terms with rent to be negotiated at the time the option is exercised.

The Lessor has agreed to remodel the premises per the Board's "General Specifications for Self-Service Stores" (Revised 10/02), including a fire sprinkler system. The Lessor will provide 2 signs on the building as well as sign panels on the shopping center monument signs located on both Martin Way and Marvin Road. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

It is anticipated that the space will be ready in January 2006.

SALES PROJECTIONS:

Board Meeting

09/07/05

-2-

Retail sales for the first full year of operation are projected at \$1.8 million. At this level, the projected profitability would be 9.1% for retail sales only while the average profit for all state stores in FY2004 was 11.3%, including licensee discounts.

Projected Sales/sq ft: FY05 = \$375 (average for all state liquor stores was \$654 for FY04)

SALES HISTORY OF OLYMPIA AREA STORES

	<u>RETAIL</u>	<u>LICENSEE</u>	<u>GROSS</u>
#110 Lacey			
FY2005	\$3,779,378	\$756,146	\$4,535,524
FY2004	\$3,641,055	\$728,337	\$4,369,392
#690 Tanglewilde			
FY2005	\$1,410,544	\$706,668	\$2,117,212
FY2004	\$1,167,345	\$642,994	\$1,810,339
#011 Olympia			
FY2005	\$2,760,583	\$1,536,963	\$4,297,546
FY2004	\$2,634,460	\$1,489,020	\$4,123,479
#163 Olympia-West			
FY2005	\$2,694,841	\$771,717	\$3,466,558
FY2004	\$2,555,417	\$765,191	\$3,320,608
#124 Tumwater			
FY2005	\$3,180,643	\$603,826	\$3,784,469
FY2004	\$2,923,121	\$532,045	\$3,455,166

ADDITIONAL DATA:

Lease rates at new shopping centers in the area are:

Lacey Marketplace – NEC of Martin Way and Marvin Road

Anchored by Home Depot, Costco, Best Buy and will include many smaller national tenants.

Asking rate is \$34.00/sq foot plus triple net charges and tenant improvements.

Prime Time Plaza – South of I-5, west of Marvin Road

Tenants: RAM restaurant and NW Harley Davidson. Additional buildings are planned. Has difficult access and crowded parking already.

Asking rate is \$27 - \$30/sq foot plus triple net charges and tenant improvements.

Traffic counts:	Martin Way – E of Marvin Road	16,989 ADT
	Martin Way – W of Marvin Road	22,572 ADT
	Marvin Road – N of Martin Way	25,383 ADT
	Marvin Road – S of Martin Way	25,771 ADT

Board Meeting

09/07/05

SUMMARY

Summary of the lease proposals for Store #190:

Proposed Rent

\$10,728.00 Yrs 1-3

\$26.82/sq ft/yr

\$11,688.00 Yrs 4-6

\$29.22/sq ft/yr

\$12,488.00 Yrs 7-9

\$31.22/sq ft/yr

\$13,000.00 Yrs 10

\$32.50/sq ft/yr

Ms. Lewis recommended approval of Lease Proposal at Hawks Prairie Shopping Center.

Board Member Ing moved for approval. Chairman Long seconded the motion, and it was passed.

Retail Services Division – Liquor Store Lease Proposal, Store #044, Spokane

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 044, located in the Ridpath Hotel at West 505 Sprague Avenue, Spokane, expired on March 31, 2005 and was extended for one (1) year, through March 31 2006.

BACKGROUND

Store #044 was opened in the Ridpath Hotel in downtown Spokane in 1990. While the store was intended to serve tourists and people employed in the downtown area, the retail sales have always been very low. Nearly three-quarters of the business is licensees.

During the last several years, the area of East Sprague Avenue between Fancher Road and Havana Street has become a commercial hub. Anchored by Lowe’s Home Improvement on the south and Costco on the north, many retail businesses are being attracted to the area. Washington Trust Bank will be moving their branch from Sprague and Freya Street to a new building at the SW corner of Sprague and Carnahan Road. Another new building, which would house the liquor store plus a couple of smaller businesses, is planned just to the west of the bank. Additional major tenants are rumored to be planning new stores in the immediate area.

PROPOSAL #1 – Sprague Avenue & S. Carnahan Road

The Lessor, Gerald Dicker of GVD Commercial Properties, Inc., represented by Marshall Clark of Clark Pacific Real Estate Company, has proposed a ten (10)

Board Meeting

09/07/05

year lease in a new 5,500 square foot space to be built on Sprague Avenue at S. Carnahan Road. The new rental rate will be \$10,541.67 per month, or \$23.00 per square foot per year, during Years 1-5 and \$11,458.33 per month, or \$25.00 per square foot per year, during Years 6-10. We anticipate that the building will be ready by late Spring 2006.

The Lease may not be terminated during the initial ten (10) years of the lease term, except pursuant to Paragraph 2, if applicable, (privatization) or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default.

The Lessor has agreed to construct the building per the Board's "General Specs...", including a fire sprinkler system. The Lessor will provide the Board's exterior building sign as well as sign panels on the pylon sign located along Sprague Avenue. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

The Board will pay its pro rata share of any property tax increases over the base year which will be the year that the new building is fully assessed on the tax rolls.

SALES HISTORY

Recent sales history for Store No. 044 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$692,782	\$1,701,466	\$2,394,248
FY2004	\$698,446	\$1,507,262	\$2,205,709
FY2003	\$559,272	\$1,516,851	\$2,076,123

Sales/sq ft: FY04 = \$426 (average for all state liquor stores was \$650 for FY04)
 NOTE: Retail sales at the current location are some of the lowest of state liquor stores. We anticipate a steady increase with the relocation to a healthier retail area.

Profitability: FY04 = 5.7% while the average profit for all state stores was 11.3%.

ADDITIONAL DATA:

Comparable lease rates in area:

- #056 Spokane Valley – 5,917 sq ft @ \$10,353.00/mo, or \$21.00/sq ft/yr, in Yrs 1-3
 \$11,217.65/mo, or \$22.75/sq ft/yr, in Yrs 4-6
 \$12,080.54/mo, or \$24.50/sq ft/yr, in Yrs 7-10
- #185 Spokane-Mission – 4,988 sq ft @ \$10,350.10/mo, or \$24.90/sq ft/yr, in Yrs 1-5
 \$10,971.11/mo, or \$26.39/sq ft/yr, in Yrs 6-10

NOTE: New Store #056 is in an existing strip mall in front of WalMart and surrounded by many other major retailers. Store #185 is in a small strip center along the main north/south thoroughfare in the middle of Spokane.

SUMMARY

Summary of the lease proposals for Store #044:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
4,495 sq ft	5,500 sq ft	
\$4,150.00	\$10,541.67 Yrs 1-5	+154% (rent \$)
\$11.07/sq ft/yr	\$23.00/sq ft/yr	+108% (\$/sq ft)
	\$11,458.33 Yrs 6-10	+8.7%
	\$25.00/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal for new store at E Sprague & Carnahan Road.

Purchasing Services Division – Wine Listings/Delistings

Steve Burnell, Wine Program Manager

The following wines are offered as a One-Time-Only purchase. The purchasing department and Mr. Burnell recommended the Board approve the following One-Time-Only listings.

Wine	Region	Vintage	Retail	Number of Cases
Barnard Griffin Sangiovese Rose	Washington	2003	\$ 4.99	70 Cases
Norma Jean Merlot	California	2005	\$12.50	56 Cases

The following wines are offered to the Board in limited case quantities. The purchasing department and Mr. Burnell recommended the Board approve the following wines for “U” code listing.

Wine	Region	Vintage	Retail	Number of Cases
Forgeron Zinfandel, Alder Ridge	Washington	2003	\$26.24	14 Cases
Forgeron Chardonnay	Washington	2004	\$21.74	14 Cases
Domaine Drouhin Pinot Noir	Oregon	2002	\$29.90	28 6/pks
Reill’s Grenache-Shiraz	Australia	2003	\$12.99	14 Cases
R.L Buller Tawny Port	Australia	NV	\$ 8.99	28 Cases
Kumkani Cabernet-Shiraz	Australia	2002	\$ 8.99	28 Cases
Water Wheel Cabernet-Shiraz	Australia	2003	\$ 9.99	28 Cases
Sherwood Estate Sauvignon Blanc	New Zealand	2004	\$10.99	14 Cases

The Board currently lists the following wines. Based on the blind tasting OR other criteria Mr. Burnell recommended the Board DELIST the following items:

<u>Wine</u>	<u>Region</u>	<u>Brand Code</u>	<u>Reason</u>
Mission Hill Pinot Gris	British Columbia	418705	Poor Sales
Mission Hill Merlot	British Columbia	418695	Poor Sales

Note: All listings are 750ml size unless noted otherwise.

Listing Symbol Codes:

No Code	Regular Listing
L	Limited Distribution
M	Mini Distribution
S	Warehouse Stock
U	Unlisted

The Meeting was adjourned at 10:40 A.M.

Merritt D. Long
Chairman

Vera Ing
Board Member

Roger Hoen
Board Member

Board Meeting

09/07/05

-7-